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9 October 1985

MEMORANDUM FOR THE RECORD

FROM: [redacted] STAT
Chief, Retirement Division

SUBJECT: Supplemental Retirement

1. The latest version of the Roth/Stevens' supplemental proposal (received from OLL on 8 October) has some changes from the previous versions, primarily in accrual rates and COLA's. The attached chart gives a quick comparison of the two options under the Roth/Steven proposal. In essence the accrual rates now average out to about 1% per year over a full career. (The 1.35% enhancement has been dropped). Special categories receive an (unreduced) flat 1% for all years of service plus a supplement equal to Social Security. Under these provisions I see no real incentive for speical categories to voluntarily contribute to the basic plan. The COLA has varying formulas but the bottom line is Congress is still crunching numbers to get the total cost down to 21.9% of payroll. So this is all still subject to further change.

2. Also attached are some preliminary annuity comparisons of Roth/Stevens versus current systems. Recognizing these are still subject to change, it appears that in Special Categories (CIARDS) if employees contribute 10.7% (5.7% Social Security and 5% Thrift) they would accrue a slightly higher benefit at lower grade levels and a lesser benefit at the higher levels. Civil Service types contributing 13% (5.7% Social Security, 1.3% to Basic Plan and 6% Thrift) still do not equal current benefits at age 55. They do achieve some parity at lower grade levels at age 62 when Social Security kicks in. Added to these contribution rates, of course, would be the 1.3% to Medicare which everybody pays.

3. Ed Hustead advises that Congressman Ford will announce his plan on Thursday 10 October with hearings to be scheduled, probably 23 and 24 October 1985. He stated that the House version will be much higher in benefits than Roth/Stevens' and also confirmed that use of the Budget Reconciliation Bill as a vehicle for the retirement proposal is no longer under consideration.

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ROTH/STEVENS

	OPT A (No Employee Contribution to Basic Plan)	OPT B (Employee Contribution to Basic Plan 7% minus Social Security (5.7%) = 1.3%. This will go down as Social Security contributions increase)
Retirement Elibility		
Regular	Age 55 w/10 years Age 62 w/5 years Annuity reduced 2% per year for years under age 62. 5% if less than 30 years service	Age 55 w/30 years (Unreduced Annuity)
Special Category	Age 50 w/20 years; any age w/25 years service; (Unreduced Annuity)	Same
Accrual Rates		
Regular	.9% for first 15 years service 1.1% for all year over 15	.9% for first 10 years service 1.1% for all over 10
Special Category	1% for all years of service Plus a supplemental equal to Social Security for years under age 62	Same
Thrift Plan		
Regular & Special Categories	Full matching up to first 5% of employer contribution (Maximum government contribution 5%)	° Full matching of first 1% ° 1/2 match of 2-3% ° 1/4 match of 4-6% (Maximum government contribution -2.75%)
COLA		
Regular	° 0% under age 62 ° CPI-2 age 62-67 ° Full age 67 and over	° CPI-2% under age 62 ° Full 62 and over
Special	° CPI-2 under 67 ° Full over 67	

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Preliminary Annuity Comparison
Roth/Stevens (R/S) vs Current CIARDS and CSRS

	GS-9	GS-11	GS-15	SIS
CIARDS				
Benefit at 50 w/25 years service				
R/S Formula (10.7% Employee Contribution)	12,399	16,336	26,316	29,744
Current CIARDS (7% Employee Contribution)	11,269	15,019	27,837	32,590
CSRS				
Benefit at 55 w/30 years service				
R/S Opt A (10.7 Employee Contribution)	10,866	13,882	26,051	28,537
R/S Opt B (13.0% Employee Contribution)	11,256	14,377	26,981	29,556
Current (7% Employee Contribution)	13,689	17,687	33,470	36,664
Above Benefit Upon Reaching 62 (Adds Social Security)				
R/S Opt A (10.7% Employee Contribution)	13,125	16,163	25,646	27,536
R/S Opt B (13% Employee Contribution)	14,200	17,536	28,225	30,360
Current (7% Employee Contribution) Assume Full COLA	13,689	17,687	33,470	36,664

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